



San Jose Councilman Pierluigi Oliverio on Monday called for voters to decide whether....

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With dozens of California cities and counties seeking to reform soaring employee retirement costs, San Jose Councilman Pierluigi Oliverio on Monday called for voters to decide whether they want to continue paying millions into the city's pension system.

Oliverio wants to change the city charter — which requires a public vote — to remove language that spells out at what age employees can retire and how much the city must pay into their pensions. Instead, he wants the council to have the flexibility to determine those numbers.

While union officials assailed the proposal, Oliverio called the city's pension costs "out of control." Even as it lays off workers, the cash-strapped city will pay nearly \$200 million this year to cover its pension obligations; next year, that's projected to swell as high as \$250 million.

"If you're a resident and if you've ever said, 'Why is my street not paved? Why is my library not open? Why aren't there enough police officers?', it's because the pension system has grown to such a large proportion," said Oliverio.

Under the current charter, for every \$3 an employee contributes to his or her pension, San Jose contributes \$8. "You can't do a 250 percent match anymore when the private sector is only getting a 3 percent match," Oliverio argued.

If the council's agenda-setting Rules Committee agrees next week, the idea would go before the City Council on Aug. 3 — the latest a measure could be added to the Nov. 2 ballot. The city charter could be amended by a simple majority of voters.

The proposal does not affect current employees and retirees but seeks a second-tier pension plan for workers hired after 2011.

The South Bay AFL-CIO Labor Council, which opposes a two-tier pension plan, on Monday issued a statement saying Oliverio's proposal would "remove pension requirements that protect both employees and taxpayers and replace them with a highly politicized process."

"It's hard to understand the rush to a November ballot," added Labor Council spokesman Jody Meacham, noting that San Jose is currently laying off workers, not hiring them. He said the city should take time to ensure that "whatever pension proposal is finally adopted doesn't place taxpayers at risk."

But Mayor Chuck Reed — while agreeing it may not be necessary to act as soon as November — called Oliverio's plan "interesting" and said that the charter language needs to be eliminated.

During recent negotiations, five unions asked that instead of a 10 percent cut in pay and benefits, they be

allowed to contribute 10 percent more to their pensions. The charter wouldn't allow it.

Oliverio's recommendation is being driven by those negotiations between the city and its unions, which aimed to close a record \$118.5 million deficit.

So far, six unions have reached agreements with the city for 10 percent cuts, while another has done so in principle. The council and executive management have agreed to similar pay reductions, while the city's police are taking smaller cuts.

But the city has yet to forge an agreement with three holdout unions representing firefighters, librarians, custodians, and clerical workers, among others. Monday was the nominal deadline for those groups to reach an agreement in hopes of reducing hundreds of layoffs, though employee relations director Alex Gurza said talks are still ongoing.

Pension reform is an issue around the country and across California. San Francisco voters last month approved a measure to require new employees to contribute more to their pensions, and a November measure would extend that requirement to all city workers.

In San Jose, officials say employee costs have risen three times faster than revenues in the last decade, driving a nine-year run of red ink that's projected to continue.

Pension costs alone have soared 131 percent during that time. And to make up losses from the recent stock market crash, the city will have to boost its \$138 million annual contribution to its pension funds by more than \$60 million this year.

Taxpayers are on the hook to make up the difference if the funds do not hit their projected return rates, which are set by two independent pension boards.

Most San Jose city employees can retire at 50 percent salary at age 55 if they have 20 years of service. The average retiree receives \$38,666 a year, as well as free health care and other benefits.

Public safety officers do considerably better: they can retire at 90 percent salary at age 50 if they have 25 years of service. Those retirees receive an average pension of \$85,000 a year.

SOARING San Jose pension costs

Under San Jose's charter, taxpayers are obligated to cover employee pensions. Here's what the city paid last year and is projected to pay in the next two years.

2009-10: \$138 million

2010-11: \$198 million

2011-12: \$240 million to \$250 million

Note: Amounts don't reflect recent concessions made by some unions.